



**DEPARTMENT OF THE NAVY**  
**OFFICE OF THE ASSISTANT SECRETARY**  
**(MANPOWER AND RESERVE AFFAIRS)**  
**1000 NAVY PENTAGON**  
**WASHINGTON, D.C. 20350-1000**

APR 9 2004

From: Secretary of the Navy's Retiree Council  
To: Secretary of the Navy

Subj: 2004 REPORT OF THE SECRETARY OF THE NAVY'S RETIREE COUNCIL

Ref: (a) DASN(MPP) ltr of January 13, 2004  
(b) SECNAVINST 5420.169H

Encl: (1) Primary recommendations for SECNAV  
(2) Secondary recommendations for SECNAV  
(3) Comments for SECNAV


1. The Secretary of the Navy's Retiree Council met at the Washington Navy Yard 5-9 April 2004 pursuant to references (a) and (b).

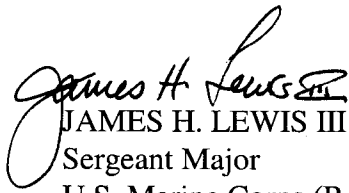
2. The Council extends thanks to the Secretary of the Navy and the Secretary's staff for support provided to the Council for the 2004 meeting. Superb support resulted in a well planned, coordinated and executed meeting. The Admiral Gooding Center continues to be a first class facility which significantly supported the Council's activities. It is requested that this facility be made available again for next year's meeting.

3. Several major retiree-related items continue to merit your attention: improved support for the retired community, the Survivor Benefit Plan (SBP), health care, concurrent receipt and the Retiree Council Website.

- a. The Council recommends that Regional Retired Activity Office (RAO) Coordinators be established to provide oversight and training for volunteer RAOs. These Coordinators should be paid employees and their locations should be coordinated with the other services in order to provide the most effective and efficient support for the entire Military Retired Community. In coordination with this effort, it is recommended that the Secretary evaluate the viability of establishing Navy and Marine Corps Auxiliaries to capitalize on the talent pool represented by the retiree community.
- b. The Council continues to recommend changes to the SBP to make it equitable for all survivors and to restore the original government subsidy. Recommendations include lowering the premium and delaying reduction from 55% to 35% to the survivor's Full Retirement Age (FRA) under Social Security.

- c. The Council acknowledges that there has been continued improvement in health care benefits for retirees. However, there are still several issues that need to be addressed in order to provide a seamless, comprehensive retiree health care benefit. The Council recommends that the Secretary press for correction of these issues.
  - d. The Council acknowledges significant legislation that has been enacted for concurrent receipt. The Council recommends continued support to ensure that this benefit is expanded to all disabled retirees and to eliminate or accelerate the phase in period
  - e. The Council thanks the Secretary of the Navy for his decision to create and support a Retiree Council Website as a valuable resource for the Navy and Marine Corps Community and requests that support be provided to sustain this valuable communication resource.
4. Enclosures (1) and (2) represent the 2004 Council's primary and secondary recommendations for the Secretary of the Navy.
5. This Council reviewed recommendations made by the 2003 Council. Deferred and open items from that report are considered current and should continue to be pursued. Other recommendations are considered closed. In some cases, there were closed items which the Council believes are worthy of reconsideration due to new information or changing circumstances. These items have been resubmitted. The Council requests that consideration be given to the following:
- a. Protecting commissary and exchange benefits.
  - b. Adjusting retirement age for Reservists recalled for extended periods of active duty.
6. The Council discussed additional items of importance to the retired community which did not warrant formal recommendations. Comments on some of these issues are in Enclosure (3).

  
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**Item No: A-1.04**

**Subject: "QUALITY OF SERVICE CONTINUUM"**

**RECOMMENDATION:**

**That the Secretary of the Navy**

**A. Commission a study to evaluate the viability of developing a Naval Department Auxiliary Force from the military retiree community.**

**B. Support an initiative to provide full time Retired Activities Officers.**

**DISCUSSION:**

A. The post 9/11 response of the retiree community indicates a significant willingness to provide their services and skills in a volunteer capacity to the active forces during crisis situations in support of operational needs and surge requirements.

The intention is to provide the commander the option of utilizing this force to augment installation operations freeing up military personnel for more critical assignments. This capability provides the commander a force multiplier.

Auxiliaries are already established by law in the USCG and USAF. The Auxiliary concept provides the ability to identify volunteers within categories of utilization defined around parameters such as availability, location, knowledge, skills and abilities, physical capabilities and others.

The Secretary of the Navy Retiree Council recommends establishment of a study to determine the feasibility of how best to use USN/USMC volunteer retirees. The USCG and USAF Auxiliaries, already established by law, can serve as potential models.

Recommend this committee review the following areas at a minimum:

- Identify and Develop Program requirements, with intention of identifying potential needs of the active forces. Examples include: homeland defense mission assistance, mass immunization clinics, assistance in crisis management, voluntary services as a civilian volunteer to a military organization. Additionally consider voluntary services to FEMA and other federal agencies.
- Mission statement for potential utilization of a Military Retiree Auxiliary Volunteer Force.
- Develop a mechanism for implementation.
- Define the Program management responsibilities of the Retired Activities Officer (RAO) to support the Auxiliary.

Enclosure (1)

- Identify necessary resources and define logistical support requirements.

B. The Secretary of the Navy's Retiree Council feels very strongly that Quality of Service will be greatly enhanced for retirees by establishment of a full time equivalent Retired Activities Officer in Retiree concentration areas.

The purpose of these full time positions would be to enhance the existing sixty-four U. S. Navy Retired Activities Offices (RAO's) and the seventeen Marine Corps RAO's. Volunteers currently man these RAO's on a "catch as catch can" basis, and in many areas these RAO's remain unmanned. A full time paid RAO Program Manager would coordinate activities of the RAO's and volunteers who would man the RAO. This approach to ensuring excellent assistance to the retired Navy family is aligned with industry customer service best practices. RAO's were established to assist retired military personnel and their families with issues relating to pay, benefits, and entitlements.

At present, the Navy and the Marines each have one full time paid position in a high retiree concentration area that have proven to be valuable to the local commander and the retiree community. Their existence has relieved the burden on active duty personnel administrative systems by giving the retired community a single point of contact who is the expert for casualty assistance, source for transition assistance, and all other needs of the retiree community.

An enhanced structure would allow for a consistent ability to manage, train, coordinate, and recruit all retiree volunteers who assist our retiree population, which is growing, and at this time is twice as big as our active force. It would also provide a means for ensuring that quality of service is consistent throughout the world and provide a means of accountability to local commanders of all services. At this time the Retired Activities Program is the only quality of life program that does not have a Program Manager at the local level. The SECNAV Retiree Council has had the opportunity to review the Army regulations and model of this program. The Secretary of Navy Retiree Council views a viable RAO Program as a necessary tool to strengthen our military commitment to "take care of our own".

The Navy and Marine Corps Retired Affairs Offices should explore with other services the possibility of providing an integrated approach of Retiree Services to avoid duplication of effort in a specific geographic area.

**Item No.      A-2.04**

**Subject:      SURVIVOR BENEFIT PLAN (SBP)**

**RECOMMENDATION:**

**That the Secretary of the Navy encourage legislation to allow Survivor Benefit Plan (SBP) recipients to retain the benefit at 55 percent until age 65 or Full Retirement Age (FRA) – whichever is later -- instead of reducing the benefit to 35 percent at age 62, thereby forcing the recipient to collect early (reduced) Social Security benefits.**

**DISCUSSION:**

This issue continues an item submitted in 2000, 2001, 2002, and 2003 to recommend proposed improvements in Survivor Benefit Plan (SBP) benefits. The Secretary of the Navy has not endorsed earlier recommendations to improve SBP because they were “not in conformance with standard compensation policy.” This recommendation proposes a different (partial) solution more consistent with current policy.

Existing law reduces SBP from 55 percent to 35 percent at age 62, forcing the beneficiary to start receiving Social Security benefits at age 62 -- at a lesser amount than would be the case if they waited until Full Retirement Age (FRA.) This can be delayed only if the surviving spouse is still in the work force and then only until reaching FRA. This creates an inequity between those survivors who continue to work after age 62 and those who do not or cannot work. We encourage the Secretary of the Navy to request or encourage the introduction of legislation that would delay the reduction of SBP benefit from 55 to 35 percent until age 65 or until the survivor reaches FRA.

Through SBP, surviving spouses of participants are guaranteed to receive an income from Government sources equal to at least 55 percent of a participant’s base amount. Until age 62, this benefit is generally provided solely through SBP; after age 62 it is a combination of SBP and the Social Security survivor's benefits. The combination of SBP and Social Security based on the Member’s active duty service are designed to continue to provide at least 55% of the Member’s designated SBP Base Amount, which is usually 55% of full retired pay

Increases in Social Security benefits during the 1970’s have resulted in much larger offsets to SBP annuities than originally intended. As a result, Congress enacted P.L. 96-401 on October 9, 1980, which placed a limit on the Social Security offset to 40 percent of the SBP annuity. In order to increase benefits and reduce the administrative burden involved with computing offsets, Congress eliminated the Social Security offset effective March 1, 1986 and replaced it with a “two-tier” method of calculating annuities after age 62. Under this method, annuities are reduced at age 62 from 55 percent of the member’s base amount to 35 percent. The two-tier method is used automatically for survivors of members who become eligible for retirement on or after October 1, 1985. Survivors of members who retired or were eligible for retirement before October 1, 1985 are grandfathered under the original Social Security offset

method. Finance centers calculate annuities using both methods when an annuitant attains age 62 and pay the higher amount. In most cases, survivors receive higher annuities under the two-tier method than under the original method.

Because of longer life expectancies, the FRA is increasing. For people born before 1938, FRA is 65. It will rise to 67 over the next quarter century. While survivors can opt to start receiving Social Security benefits as early as age 60, the amount received each month will be less than if they started at FRA. But under existing law, most SBP beneficiaries have no choice – they must start receiving reduced Social Security benefits at age 62.

Legislation to partially protect SBP recipients, i.e., to delay reduction of the SBP benefit from 55 percent to 35 percent until age 65 (or FRA) will provide relief to widow[er]s for at least three years. This deferral is a graduated attempt to reintroduce equity lost by members and their survivors who made decisions under ambiguous circumstances, believing that benefits would not be combined and their retirement therefore reduced by their Social Security account.

While there will be some minimal fiscal impact, equities for this near-term, corrective action outweighs the moderate increase for this three-to-five five year extension. As such, the proposal should withstand reasoning from years past, and should be forwarded to the Office of the Secretary of Defense for action.

**Item No.      A-3.04**

**Subject:       SEAMLESS, COMPREHENSIVE HEALTH CARE**

**RECOMMENDATION:**

**That the Secretary of the Navy strongly urge TRICARE Management Activity to coordinate with appropriate agencies to provide a seamless, comprehensive health care benefit for all eligible beneficiaries.**

**DISCUSSION:**

The Council is impressed and encouraged by demonstrated progress that has been made in the improvement and refinement of the TRICARE health benefit for retirees since the program's inception. We are grateful for the significant attention and effort that have been extended on behalf of all retirees. While a seamless and comprehensive health care benefit is the ideal to which we aspire, some groups of eligible beneficiaries have not been able to utilize the benefit due to unusual or challenging circumstances and some beneficiaries are not able to reap optimal benefit from their coverage. For a variety of reasons, there are significant gaps in coverage, or care is non-existent, for some atypical groups. As a result, their health can be inadvertently compromised, sometimes with catastrophic results. Comprehensive health care will avert catastrophic outcomes, will decrease costs to the beneficiary and the government, and will improve the overall health of our beneficiary population. . The following are examples of some of these inequities and are issues that need to be addressed:

- **Chronic Renal Disease.** The Social Security Administration regards persons with chronic renal failure to be unemployable and therefore eligible for disability and enrollment in Medicare Part B. TRICARE terminates coverage of all care 90 days after initial diagnosis or first dialysis treatment in anticipation that the patient will be enrolled in Medicare Part B by that time. However, Social Security processing requires documentation of the condition which takes a minimum of 6 months, but typically much longer. During the period from termination of TRICARE coverage at 90 days to the effective date of enrollment in Medicare Part B, beneficiaries have no health care insurance. The patient is forced to make a choice to either bear the considerable cost of hemodialysis and risk economic security for their family during this gap in coverage or forego treatment, which will be **fatal**.

- **TRICARE/MEDICARE reimbursable rates are deemed to be too low by many health care practitioners.** TRICARE reimbursement rates are legislatively mandated and calculated from MEDICARE rates. Recent legislative relief from a programmed cut in MEDICARE reimbursement was essential to continuing viability of the program in many locations. Despite this welcome relief, many locations continue to experience inadequate clinician participation and availability of services as a result of low reimbursement levels due to previously implemented MEDICARE cuts. In the face of well-publicized increases in insurance premiums, coupled with

reimbursement rates too low to cover costs, practitioners find it impossible to participate from a business standpoint. The situation is particularly pronounced in rural and small town settings where economies of scale and competition are non-existent. The resultant dearth of clinicians willing to participate in the provider network creates a lack of access for many potential beneficiaries.

- **Optometry and Eye Care.** The TRICARE benefit is not truly comprehensive because it does not cover optometry. This is a benefit that is of particular concern to the retired population. Retirees have increasing need for optometry support as they get older and lack of coverage may have detrimental effects on their overall health status and long-term survival.

- **Foreign National Widows' and Spouses' Eligibility for TRICARE for Life.** Foreign national widows and spouses living overseas who, though eligible for Social Security benefits, are not entitled to be paid those benefits because of the Alien Non-Payment Provision (ANPP, SSR 83-8, Section 202.) Consequently, premiums for Medicare Part B cannot be deducted from their Social Security benefits, as is required. This practice started on 1 January 2003. The Social Security Administration advises ANPP-category persons that their sole option is to purchase Medicare Part B on their own if they desire to retain TRICARE benefits. These beneficiaries cannot afford to purchase Medicare Part B coverage because in most cases they have inadequate income. This is inequitable and exclusionary. These widows and spouses deserve special consideration. Medicare does not pay for medical care overseas and beneficiaries have no need for the coverage other than to gain access and utilize the TRICARE benefit for which they are otherwise fully eligible. Consider waiving the requirement to enroll in Medicare Part B or providing an alternative method to access the benefit. The precedent has been set by granting a waiver for others who do not receive Social Security.

- **MEDICARE Part B Special Enrollment Period.** The Center for MEDICAID/ MEDICARE Services (CMS) has not implemented the provisions of the MEDICARE Modernization Act of 2003, Article 625 as it pertains specifically to military retirees and their family members. This legislation allowed for a penalty-free Special Enrollment Period which ends 31 December 2004. Delayed implementation continues to economically penalize those whom the law was designed to benefit. Currently, there is no method available to enroll for this benefit which is required for utilization of TRICARE.

- **New Technologies and Preventive Services.** Rapidly developing technologies and advancements in health care delivery systems have markedly improved diagnostic capabilities and refined clinical screening. These clinical options make early screening, diagnosis and intervention possible, are deemed safe and effective and approved by the Food & Drug Administration, and are widely available, but not currently covered by the TRICARE benefit. Including options like digital scanning, C-reactive protein screening, and virtual colonoscopy in covered services

will direct austere funds to preventive and screening services, rather than more expensive treatment options with lower success rates. This will result in healthier population outcomes and decreased health care costs for the government.

- **Veterans Health Administration.** The Veterans' Administration (VA) health care system is currently experiencing significant funding and service shortfalls respective to demand for services generated by the existing level of enrollees. The VA system augments the DoD health care system by providing specialty care, and in many cases, acts contractually as part of the TRICARE health care delivery mechanism. Beneficiaries who are enrolled in TRICARE Prime with the VA as their primary care provider pay annual enrollment fees to TRICARE Prime as well as co-payments to VA and are provided services based on their VA eligibility category rather than their TRICARE Prime participation status. This is particularly troubling in light of VA's request for a proposed addition of a \$250 annual **user fee** for which TRICARE participants would be liable. As a result, TRICARE beneficiaries receive dual billing for services received.

**Item No.      A-4.04**

**Subject:        FULL AND IMMEDIATE CONCURRENT RECEIPT OF MILITARY  
RETIRED PAY AND VA DISABILITY COMPENSATION**

**RECOMMENDATION:**

**A. That the Secretary of the Navy support legislation and funding to allow concurrent receipt of military retired pay and VA disability compensation for all eligible retirees, regardless of disability rating or years of service.**

**B. That the Secretary of the Navy support legislation to eliminate or accelerate the phase in period for concurrent receipt.**

**DISCUSSION:**

A & B. This continues and expands an issue previously submitted by the Council. Last year the Secretary responded that the recommendation was “not in conformance with standard compensation policy.” Recent legislation has dramatically changed this policy. In light of this legislation and continuing military operations, we believe this deserves further consideration. The current system demands the full measure of sacrifice from service members, yet ignores the impact on those whose service career also costs them their health.

The Council vigorously supports continuing Congressional efforts to eliminate the law that makes most disabled uniformed services retirees forfeit part or all of their military retired pay in order to receive disability compensation from the Department of Veterans Affairs.

Retired pay is an earned benefit for past military service to our country, while disability pay is compensation for pain and suffering and the reduced future earning capability of the disabled member. For decades, members of Congress and members of veterans organizations have sought full relief from a 19th century law that required a dollar-for-dollar offset of military retired pay from the Department of Defense and disability compensation from the VA. Despite objections from DoD officials regarding costs, legislation established a “beachhead” toward ending the ban on concurrent receipt. The 2004 National Defense Authorization Act (NDAA) includes provisions for a 10-year plan to eliminate the offset of retired pay for VA disability compensation for those with 50-100 percent disabilities. All retirees (except medical disability retirees with less than 20 years of service) who have VA disability ratings of 50 percent or higher will see their military retired pay offsets phased out over a ten-year period starting January 1, 2004. Additionally, the legislation makes Combat Related Special Compensation (CRSC) available to all disability rating levels.

This compromise is welcome news for our nation’s most severely disabled veterans. However, the phase-in period provides only partial relief for eligible disabled retirees and it does not provide a full measure of justice for thousands of others with a 10-40 percent disability

rating. Eligible retirees must wait ten years to receive full concurrent receipt and many will have passed away during this period. Military retirees with non combat disabilities rated less than 50 percent are still treated unfairly for the disabilities that they incurred while in service to their country.

While this committee is grateful for the substantive authority enacted recently, we remain committed to full and fair compensation for all retirees. We ask the Secretary to seek to obtain full concurrent receipt for all affected retirees and to eliminate or accelerate the 10-year phase in period. Only by lifting these restrictions and conditions will we be keeping faith with those extraordinary Americans whose selfless service and sacrifice preserved America's freedom.

**Item No.      A-5.04**

**Subject:      SECNAV RETIREE COUNCIL WEBSITE**

**RECOMMENDATION:**

**That the Secretary continue to support the Council website**

**DISCUSSION:**

The SECNAV Retiree Council thanks the Secretary of the Navy for his decision to create and support a Retiree Council Website as a valuable resource for the Navy and Marine Corps Community. The SECNAV Retiree Council Website was created and successfully launched in March, 2004 on the Lifelines Website. The site is located at [www.lifelines.navy.mil/retireecouncil](http://www.lifelines.navy.mil/retireecouncil). According to the Site Administrator, there have been a remarkable number of “hits” on the Website since its start-up. The Site Administrator disclosed that the Website, as of this date, is ranked at the number five position on the Lifelines Home Page hit list. It is the opinion of this council that it is too early to draw conclusions on the future effectiveness of the site, however.

Over time, there will be a need for modifications to maintain and improve the usefulness of the site (e.g. to ensure a “User Friendly” format, inclusion of links reflecting relevant retiree information, etc.) This support will require the expertise of the Lifelines Site Administrator.

**Item No. B-1.04**

**Subject: DEFENSE COMMISSARY AGENCY (DECA) BENEFIT**

**RECOMMENDATION:**

**That the Secretary of the Navy:**

- A. Oppose any initiatives, e.g., variable pricing or other “best business practices” that might eventually erode or eliminate commissary benefits.**
- B. Recommend to the Secretary of Defense that the local retiree, Guard, and Reserve member populations be specifically incorporated into the assessment criteria and process for establishing, continuing, or disestablishing commissaries.**

**DISCUSSION:**

A. The mission of the Defense Commissary Agency (DeCA) is “to deliver the premier quality of life benefit to the armed services community to enhance recruiting, retention, and readiness by efficiently and effectively providing exceptional savings and excellent products and services - every time, every place.” The commissary system, along with medical care, is at the top of most valued items of non-pay compensation for all authorized patrons (active duty, retirees, and Guard and Reserve members). Patrons know that they consistently save, on average, more than 30 percent over commercial grocery prices – a savings of more than \$2,440 a year for a family of four. This is seen as a form of compensation to complement their salaries which are under market averages for equivalent work performed.

The Department of Defense recently contracted for a study, due this month, on the feasibility of moving to ‘variable pricing’ in commissaries. Because the study is not yet available for review, we cannot comment specifically on its conclusions or recommendations, but we are concerned that ‘variable pricing’ is being proposed solely as a strategy to reduce appropriated funding for the commissary benefit, and we enjoin the Secretary of the Navy to vigorously oppose this (or any other) change that could ultimately undermine this benefit.

Moreover, we ask the Secretary of the Navy to pursue a change to the criteria used annually to evaluate whether to establish, continue, or downscale commissary operations. In an 8 June 2001 memo (“Criteria and Process for Establishment, Continuance, and Disestablishment of Commissaries and Exchange Operations”), the Assistant Secretary of Defense for Force Management Policy acknowledged that commissary and exchange benefits are provided to active duty personnel and their families as an integral element of the military pay and benefits system. In fact, those benefits are equally important to retirees and Reserve and Guard members. The ASD memo mentions retirees and reservists, but the criteria clearly concentrate on active duty

Enclosure (2)

members in determining the necessity and desirability of furnishing the commissary benefit in a specific geographic location. We believe retirees and reservists should be considered in these assessments. In those cases where a base closure is contemplated, the retiree and reserve populations need to be separately considered.

Because of the level of savings DeCA delivers, for every \$1.00 spent on the commissary program, it would cost nearly \$2.00 to compensate the military community in direct pay and pension if there were no commissary. Without this benefit, military force planners would have to find other inducements to recruit and retain qualified members who value this extremely important non-compensation benefit.

**Item No. B-2.04**

**Subject: ADJUST SELECTED RESERVE RETIREMENT PAY  
ELIGIBILITY DATE TO RECOGNIZE PERIODS OF ACTIVE  
DUTY PURSUANT TO MOBILIZATION**

**RECOMMENDATION:**

**That the Secretary of the Navy forward a proposal to the Secretary of Defense to advance Selected Reserve retirement eligibility pay dates to compensate for periods of active duty pursuant to mobilization orders when that active duty accumulates to more than 180 days.**

**DISCUSSION:**

When established in 1948, the reserve retirement system was intended to supplement a normal civilian career promotion and retirement program. But over the past dozen years, reserve call-ups have averaged a 13 fold increase over any comparable period during the entire 50 years of the Cold War. Dependence on the reserve component continues to grow with each passing year. Recent world events, e.g., Afghanistan, Iraq and the war on terror, have resulted in involuntary recalls to active duty for lengthy periods of time, often in excess of one year – and, such reliance on reservists is likely to continue. Future force projections demonstrate increased need for a larger reserve force for major contingencies, while maintaining a smaller, more agile active force to respond to emerging national defense issues.

Selected Reservists are not entitled to receive retirement pay until age 60, regardless of when eligibility is attained through accumulation of a minimum of twenty years satisfactory participation. This system does not contemplate extended periods of active duty, particularly involuntary recalls pursuant to mobilization orders now being experienced by many Selected Reservists. These involuntary recalls, and the prospect of additional recalls in the future, are expected to negatively impact recruiting and retention in the Selected Reserve, particularly in high op tempo organizations and units, and among individual reservists possessing critical skills needed in wartime. Reliable human resource analysts are already predicting that retention will be adversely affected by these extended involuntary mobilizations. In many instances, they severely disrupt and negatively affect the member's civilian career and home life, not to mention the family's finances. These analysts predict that many individuals will opt to leave the Reserve force unless there are some additional incentives to persuade them to stay.

Recognizing and rewarding sacrifices made by reservists during these periods of extended active duty is possible through specific retired pay eligibility credits which would enable a recalled member to draw retirement pay earlier than age sixty. We propose that the Secretary introduce a policy that acknowledges the rigors of involuntary recalls which accumulate over 180 days of active duty (at any time). After a reservist accumulates 180 days of active duty, pursuant to mobilization or involuntary recall only, he/she would be entitled to draw a retirement check six months earlier than current law provides. Additional six-month credits could be earned through

accumulation of additional involuntary active duty in 180-day increments, limited to a total of five years' credits.

We disagree with conclusions reached by last year's National Naval Reserve Policy Board (NNRPB) and Marine Corps Reserve Policy Board (MCRPB).

A prior recommendation by the NNRPB and the MCRPB concluded that the cost offsets would somehow jeopardize other Reserve programs. This Council could not determine which "...other programs vital to other Reservists" would be impacted since the Reserve operational accounts are separate and independent from the Reserve retirement account. If the argument is based on a zero-sum analysis of the entire Reserve account, reductions and transformations of the Navy's Active support of the Reserve community (Training and Administration of Reserves – TAR's), then the current reductions of that force in the administration's transformation initiatives will more than account for this minimal impact on the Reserve retirement account for that relatively small number of Reservists recalled to active duty for periods in excess of 180 days.

With regard to the MCRPB conclusion that somehow this would create "equity" issues beyond the retirement account impact, we believe that those Marine Reservists recalled for periods of extended active duty suffer inequities when compared to their Active counterparts who draw a benefit earlier. They are at a disadvantage to their comparable Reserve counterparts who do not suffer a period of extended mobilization yet draw the same benefit at the same time.

The referenced comprehensive DoD study currently underway specifically assumes that retirement accounts of the two subsets – Active and Reserve – should be more "seamless". This proposal takes that first step – and at no cost to Active or Reserve operating accounts.

We respectfully request that the Secretary readdress this issue.

**Item No. B-3.04**

**Subject: DENTAL CARE**

**RECOMMENDATIONS:**

**A. That the Secretary of the Navy encourage DoD to improve provider networks**

**B. That the Secretary of the Navy direct that Commanding Officers of Dental Treatment Facilities (DTFs) provide care to eligible retirees on a space-available basis in compliance with ASD(HA) Policy 97-045 of 30 Apr 97 and disseminate the information to the local retiree community.**

**Discussion:**

A. Adequate dental care continues to remain a high-interest and high-priority benefit for retiring military personnel. The Retiree Council notes with pleasure recent changes that have improved the quality and value of the benefit to retirees and we are encouraged by demonstrated commitment on the part of both the government and the contractor to provide a meaningful and much-needed service to retirees and their families. Recent health care research has linked the status of dental health to the incidence of strokes, coronary events and chronic inflammatory diseases that result in significant high-cost morbidity and mortality in the population. Despite recent improvements in the benefit, the value of the benefit, and the impact on long-term health of the population, enrollment in the program remains low. One barrier to enrollment is access to providers. The network of providers is insufficient in many geographic locations for retirees to realistically participate. In some areas, the sole available provider is at some considerable distance, in an adjoining state, or has minimal capacity for new patients. Efforts to improve the number of network providers would encourage more participation.

B. DTFs are authorized to make excess capacity available to retirees on a space-available basis. However, inconsistent implementation of this policy creates confusion for retirees who are not sure of local DTF capability, policies, or means to obtain specific information. There are multiple anecdotal reports of retirees taking space-available flights to other locations to obtain dental care in military DTFs.

**Item No.        B-4.04**

**Subject:        Health Care Communications**

**RECOMMENDATION:**

**That the Secretary of the Navy support improved communication of health care benefits to the retired community, specifically:**

- **In tandem with the Secretaries of the Army and Air Force, establish permanent, salaried positions for Retired Activities Officers (RAOs) in areas of high retiree concentration. Through this initiative, methods to educate and inform the retiree community can be expanded and implemented. (See related Council Item A-1.04)**
- **Under the oversight of these positions, ensure that key and essential information about TRICARE benefit utilization such as current formularies, provider lists, covered services, and program requirements are widely disseminated.**
- **Have TRICARE publish status reports of their survey results in compliance with Public Law Article 723/724, the requirement to inform both user and provider of program availability and usage.**
- **Ensure that TRICARE utilize all available mechanisms to make the retiree community comfortable with the Explanation of Benefits form.**

**DISCUSSION:**

TRICARE offers a significant benefit for active duty and retired military members and their families. Correct and judicious use of this valuable benefit is contingent upon a clear and comprehensive understanding of available options, limitations and long-term consequences of key participation decisions. Every opportunity to educate military families and eligible beneficiaries should be utilized to assure knowledgeable and confident users. This demand will be increasingly important in the pending migration to TRICARE NEXT contracts which will entail changes in contractors and provider networks. Because of the diversity of experience in the beneficiary population, a large variety of education and information options are essential. Use of print media, telephone service centers, manned support centers and internet-based options should all be available to accommodate differing levels of comfort and skills in gaining interface with TRICARE entity and utilizing the benefit. Many retirees have not developed necessary skills to sort through an overwhelming amount of information and assume responsibility for participation in and management of their comprehensive health care. After a career of service provided health care services as part of their routine health protection and maintenance, a learned pattern of personal inertia, awaiting external direction, is noted among many retiree groups. For many, their first discussion and deliberation of post-active duty health care takes place during the Transition Assistance Program seminar immediately prior to their retirement. Earlier education efforts will allow more time for members to “ramp up” to the many decisions they will be

required to make regarding medical care. This will create a consumer population of retirees with more realistic expectations and better developed skills to optimize their health care options.

- Retirees have had difficulty reading and understanding the Explanation of Benefits (EOB) statement as a result of lack of experience with the format. Some understand it to be a bill and erroneously submit payment; others submit inappropriate claims for the unpaid difference. Education and explanation of the form and its significance should be addressed in planning for the transition from active duty to retiree status.
- Regional differences in availability of information such as provider networks and choice options exist and contribute to beneficiary confusion. Beneficiaries who choose to fully participate in utilizing the benefit are confused as they move from one region to another and are unsure about how to access the benefit. The imminent shift to just three regions, provides an excellent opportunity to improve in this area.
- Participating agencies in the benefit such as pharmacies and clinical laboratories are not thoroughly knowledgeable of formulary and program requisites for TRICARE and TRICARE for Life (TFL). Mechanisms of information distribution for all TRICARE participants (providers, intermediary agencies, and beneficiaries) should be more vigorous and readily accessible for all concerned.

**Item No.      B-5.04**

**Subject:      POSTAL LIMITS FOR RETIREES USING FPO/APO OCONUS  
FACILITIES**

**RECOMMENDATIONS:**

**That the Secretary of Navy initiate action to increase the current weight limits of one pound imposed on retirees using FPO/APO facilities at overseas locations.**

**DISCUSSION:**

Under current regulations retirees residing overseas and living in locations near bases have the opportunity to use services of the DOD Postal System at existing FPO/APO sites. As defined by existing DOD Postal Regulations, a retiree's uses of the DOD Postal system are restricted to an upper limit of one pound for items shipped or received through FPO/APO facilities.

This one pound limit has and continues to place significant hardships on the retiree community residing at OCONUS locations utilizing DOD Postal Facilities to participate in earned benefit programs. For example:

- Retirees using GI Bill benefits and Disabled Retirees participating in the Vocational Rehabilitation Program Chapter 31 Program are unable to receive text books through FPO/APO facilities when enrolled in specific educational programs.
- Retirees receiving VA approved batteries for hearing aids have had items not delivered and returned when the item and packing material exceeds one pound.

Past actions at the OSD level have addressed the weight limits issue. A review of this past initiative indicates that the Army recommended removing the restriction and the Air Force recommended the weight limit be raised to 5 pounds.

**Item No.        B-6.04**

**Subject:        EXTEND DELIMITING DATE FOR USE OF MONTGOMERY GI  
BILL (MGIB) PROGRAM AND VETERANS EDUCATIONAL  
ASSISTANCE PROGRAM (VEAP) BENEFITS**

**RECOMMENDATION:**

**That the Secretary of the Navy propose legislation to the Department of Defense to extend time limits for use of veteran's educational benefits after separation for active duty (10 years) to coincide with current time limits established for reserve personnel (14 years).**

**DISCUSSION:**

More than 20 million veterans have taken advantage of the GI Bill which was enacted in 1944 and revised several times over the years. Its twin purposes were to help veterans make the transition to civilian life and, more recently, to help the services recruit quality personnel. The Department of Veterans Affairs says that about 55 percent of veterans have taken advantage of the program since it began, including 8 million each from World War II and the Vietnam War era.

When time limits for use of the GI educational bill were originally defined in 1944, the main 'product' of the United States was labor and manufacturing. Many veterans who transitioned directly into the civilian workforce were well equipped for the civilian workforce and therefore did not have an immediate need to use their education benefits for retraining. During the past several years, the environment has changed. The workplace today is much more sophisticated, technological, and changes much more rapidly. Today's veterans may be employable in the short-term following separation, but then realize a few – or not so few – years down the road that they lack skills to be competitive in the job market.

Active Duty Montgomery G.I. Bill enrollees and VEAP participants who separate from the service or retire have only 10 years to use their benefits – after that time, any unused portions are lost. But the FY 2003 National Defense Authorization Act (NDAA) extended the time limitation for use of eligibility and entitlement to educational assistance *for reserves* from 10 to 14 years. We believe the same consideration should be extended to the active force.

In today's rapidly changing workplace we must extend educational benefit entitlement periods for qualified members when they leave active duty so that they can respond to workplace challenges.

Funds to cover the cost of continued education for reserves and active duty personnel come from two separate sources. The cost for continued education of reservists is covered by a trust fund account which supports the need to set a specific delimiting period. However, contributions to, and costs for, continued education benefits for separated active duty personnel are deposited in, and generated from, the General Fund, and thus are not constrained by the need to pay them out to qualifying and contributing members before the fund becomes unmanageable.

Any artificial limit which denies an active member the same opportunity, particularly when there is no accounting constraint such as those found in the Reserve portion of the Montgomery G.I. bill trust fund, is a penalty, not a benefit.

At a time when recruitment and retention are more important than ever, we must recognize the value of providing better and more competitive education benefits to all Armed Forces personnel, whether they serve on active duty or in the reserves.

In order to ensure that we provide our veterans with all necessary tools to enhance their competitiveness in today's workforce, as well as their quality of life, we must allow individuals whose entitlement period had expired prior to such extension an additional four-year period to use any unexpended entitlement portion. If this benefit is to be meaningful, it should be available when the veteran needs it, not subject to an arbitrary time limit.

Lengthening the delimiting clock to a 14 year time period identical for both is the right thing to do. There is no compelling argument to do otherwise, particularly when there is no trust fund constraint as in the Reserve portion of the Montgomery G.I. Bill. We must do a better job of providing better and more competitive educational benefits for eligible military members.

## **RETIREE COUNCIL COMMENTS FOR THE SECRETARY**

The following comments are provided by the Council. In some cases these are issues that were previously submitted by the Council, but did not receive concurrence. No response is expected, however, we hope that the Secretary will consider this input when issues in these areas arise.

1. In the 2003 Council Report, the number one issue was elimination of the SBP annuity reduction at age 62 for a surviving spouse. This item was not concurred in because it was "not in conformance with standard compensation policy." The 2004 Council continues to believe that this is a significant issue for the retired community and notes that it is this year's number one priority of the Military Coalition. Legislation to phase out this reduction is being actively supported in Congress.
2. The 2003 Council Report asked the Secretary to urge DoD to make improvements to the TRICARE Retiree Dental Program, specifically to provide a government subsidy for the program and to extend it to retirees living overseas. The subsidy recommendation was not concurred in by the TRICARE Management Activity. The provision for extending the program overseas is still being researched. The Council continues to feel that an affordable retiree dental plan available to all retirees is a significant retiree benefit. The current cost and non-availability for overseas retirees are barriers to increased enrollment. The Council also believes that promotion of good dental health by such a program would result in improved general health and could eventually lower overall TRICARE costs. Continued attention by the Secretary to seek improvements to Retiree Dental Plan will greatly benefit the retired community.
3. The Council received a briefing on the current state of the Armed Forces Retirement Home. The Council was impressed with significant changes that have been implemented by the Chief Operating Officer, Mr. Tim Cox to improve operations and services provided by the two sites. Continued support by the Secretary for this transformation process will result in a high quality retirement option for many of our retirees.
4. The Council understands that an initiative to consolidate military exchanges is being studied. While some operating efficiencies may be achieved by consolidating some common functions (e.g. Human Resources, purchasing, etc.), the Council feels that such an initiative needs to be approached with caution. It is very important that the services maintain the ability to provide revenue from their exchanges to their MWR programs at the same levels that they currently enjoy. Additionally if any consolidation efforts are undertaken, it is important that each service be allowed to retain the unique identity and character of their exchanges.

Enclosure (3)

5. In 2003, the Council highlighted ambiguities and erroneous interpretations of various state court actions under the Uniformed Services Former Spouses; Protection Act (USFPA) by recommending that the Secretary support corrective legislation. While the Secretary supported our position last year, more needs to be done to clarify and simplify the law in order to protect, not only the rights of former spouses, but also retired members' interests. Legislation has been reintroduced by Rep. Cass Ballenger of North Carolina entitled the Uniformed Services Divorce Equity Act of 2003 (H.R. 1111) which clarifies and simplifies prior law while continuing to protect rights of former spouses and retired members. The Council recommends that the Secretary continue to support this clarifying legislation.